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In a word, then, on important matters our representatives are responsible to their party at large, on minor matters they may be, and at present are, responsible to the party leaders in their districts. What should be done is so clearly to define leading issues and the party attitudes upon them that they, and they only, shall determine the lines of division within the district, thus leaving the representative free on neutral matters to use his own best judgement.

C. H. LINCOLN.

*Lewiston, Maine.*

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#### A NOTE ON ECONOMIC THEORY IN AMERICA PRIOR TO 1776.

In a study of the Pennsylvania experiment in paper money, covering the period from 1723-1775, the writer came upon some statements of economic theory that may prove interesting to readers of the ANNALS. We have put these together in an informal way, trusting that the dates of their publication, all prior to 1776, will be sufficient justification for their present resurrection.

Franklin, writing in 1729\* in defence of a paper currency, says: "On the contrary, as a plentiful currency will occasion a less consumption of European goods in proportion to the number of people, so it will be the means of making the balance of our trade more equal than it now is." Here we have, at least by implication, the old notion that for any country to have the balance of trade against it, is an unmitigated evil.

Governor Pownall,† on the other hand, held that there were conditions under which this fact that the balance of trade was against a country, might be evidence of its progress and prosperity. In 1765, in his "Administration of the Colonies," page 110 of the second edition, he writes: "An increasing country of settlers and traders must always have the balance of trade against them, for this very reason, because they are increasing and improving, because they must be continually wanting further supplies which their present circumstances will neither furnish nor pay for. . . ."

"In the common cursory view of things, our politicians, both theorists and practitioners, are apt to think that a country which has the balance of trade against it, and is continually drained of its silver currency, must be in a declining state; but here we may see that the progressive improvements of a commercial country of settlers, must necessarily have the balance of trade against them, and a decreasing

\* "The Works of Benjamin Franklin." By Jared Sparks, Vol. ii, p. 260. Boston: Hilliard Gray & Co., 1840.

† "The Administration of the Colonies." By Thos. Pownall, second edition, p. 260. London: J. Dodsley, 1765.

silver currency ; that their continual want of money and other materials to carry on their trade and business must engage them in debt.

. . . But that those very things applied to their improvements will in return not only pay those debts, but create also a surplus to be still carried forward to further and further improvements."

The home government, fearful of the evil effects of a paper currency, from time to time demanded reports as to the status of this currency. In 1751 they forbade the issue of any more such currency as a legal tender, and in 1752\* we find a report by a committee of the Pennsylvania Assembly, in which they recite the many advantages that have resulted from the use of said currency ; among others "the inducing of strangers to come and settle among us."

"But your committee conceive that the manner of issuing this medium contributed no less to those happy effects than the medium itself. It was by the law directed to be emitted on loans (in real estate), in sums not exceeding 100*£* to one person for a long term, on easy interest, and payable in yearly quotas, which put it in the power of many to purchase lands and make plantations.

"That it should be easy for the industrious poor to obtain lands, and acquire property in a country, may be chargeable with one inconvenience, to wit, that it keeps up the price of labor. Yet this inconvenience is perhaps more than balanced by the rise in the value of his land, occasioned by the increase of people, and to the public in general numbers of substantial inhabitants have been always reckoned an advantage. In fine by rendering the means of purchasing land easy to the poor, the dominions of the crown are strengthened and extended ; the proprietors dispose of their wilderness territory, the British nation secures the benefit of its manufactures, increases the demand for them ; *for so long as land can be easily procured for settlements, between the Atlantic and Pacific Oceans, so long will labor continue dear in America ; and while labor continues dear we can never rival the artificers or interfere with the trade of our mother country.*"

The enunciation of this proposition by a provincial assembly in 1752 is certainly interesting.

It was of course impossible to get very far in the discussion of money, without assuming some theory of value. Franklin in his paper of 1729 † writes :

"A wants corn and B cloth ; upon which they make an exchange with each other, for as much as each has occasion for, to the mutual advantage and satisfaction of both ; . . . to facilitate this exchange men have invented *money* properly called a *medium of exchange*. . . .

\* See Votes of the Assembly for 1752, Vol. 4, p. 227.

† "The Works of Benjamin Franklin." By Jared Sparks, Vol. ii, p. 264.

"For many ages those parts of the world which are engaged in commerce have fixed upon gold and silver as the chief and most proper material for this medium; they being in themselves valuable metals for their fineness, beauty and scarcity. By these, particularly by silver, it has been usual to value all things else. But as silver itself is of no certain permanent value, being worth more or less according to its scarcity or plenty, *therefore it seems necessary to fix upon something else, more proper to be made a measure of value, and this I take to be labor.*" . . . He then continues: "Yet further, in order to make a true estimate of the value of money, we must distinguish between money as it is bullion, which is merchandise, and as being coined it is made a currency. For its value as a merchandise, and its value as a currency, are two distinct things; and each may possibly rise and fall in some degree independent of the other. . . .

"In the same manner must we consider a paper currency, founded upon land; as it is land and as it is a currency.

"Money as bullion or as land is valuable *by so much labor as it costs to procure that bullion or land.*

"Money as currency has an additional value *by so much time and labor as it saves in the exchange of commodities.*"

Tench Francis, in a paper entitled \* "Considerations on a Paper Currency," bases his theory of money upon the opposite theory of value, namely, that "value depends entirely upon utility." The paper opens as follows: "All value is given to things for their fitness or power to answer or procure the necessary conveniences or pleasures of human life.

"This value may be considered as absolute or relative. Absolute value terminates in our esteem for anything, without referring to any other; relative is that which it has compared with another. The latter only I shall have occasion to treat of.

"From the natural state and order of things I think it may be affirmed that the worth or price of anything will always be as the uses directly, as the quantity reciprocally or inversely. *Use is the sole cause of value, and value the necessary effect of use.* . . .

"I know of no just means whereby mankind can give value to things but by increasing or lessening the uses or quantity." With Ricardo he holds, "that this proposition is as true of money as of aught else. Or assuming the 'uses' to be constant; the value of money as of all things else, will depend upon the *quantity* of money."

The question had doubtless often been raised: Is it possible by any device to regulate automatically the amount of paper in circulation?

\* This paper appeared in Governor Pownall's "Administration of the Colonies," second edition, 1765.

Franklin, in 1729, thought that this condition had been realized under the original plan, but afterward abandoned this contention.

John Webbe, who wrote in 1743,\* suggested an additional device which, though never actually tried, seemed to have met with some favor. He held that: "If the intrinsic worth of movable commodities be not increased, neither rents nor the value of land can rise, nor, consequently, the demand for money to discharge the one or purchase the other. Neither on the same supposition can the continual variations in the value of movable commodities, with respect to one another, increase the demand for money; *for it is impossible that any of the sorts should rise unless the others fall.* As then the demand, and consequently the value of the paper money cannot be increased, so it cannot be lessened, but in proportion to the intrinsic worth of the commodities exchanged by it."

In other words, he not only holds with Ricardo that the "uses" being constant, the value of money in common with all commodities will vary with the "quantity," but he also seems to have had in mind the other proposition upon which Ricardo insisted so strenuously: That there can be no general rise or fall in values. He further continues: "If the reader has not forgot that when this inference was offered to be proved it was on a supposition that the quantity of money in trade remained the same, he will more clearly perceive the truth of the position now laying down, to wit, *that, could a method be fallen upon to augment and diminish the quantity of currency according to the demand for it, its value would remain unalterable.* . . .

"Now in order to preserve a constant proportion between the quantity of money floating in trade, and the demand for it, there needs nothing more than to open a bank that shall lend on good real security for the natural interest, whatever sums may be applied for; and shall also receive back any sum if not too trifling from any person offering it, though not a borrower, allowing him the natural interest or an equivalent to it, till he calls it out again. . . .

"Admitting, for argument's sake, the natural rate of interest to be five per cent, a premium of four and one-half per cent will probably prove sufficient to draw in the superfluous cash at any time extant; for such an interest, when with it the principal may be had on demand, is at least as good as five per cent on any private security, where, besides the risk, the lender can never be sure of having his money again, as he would be at the bank, whenever an opportunity offers of laying it out to greater advantage."

That this device found some acceptance at the time, is shown by its

\* "A Discourse Concerning Paper Money." By John Webbe. Pp. 11. Philadelphia: W. Bradford, 1743.

incorporation into the plan for a general paper currency, to circulate throughout all the colonies, which was submitted to the British Government\* by Governor Pownall, 1764-65-66. The sections bearing upon this point are as follows :

"Let the bills be issued for ten years payable a tenth part of the sum yearly with interest at five per cent.

"Let there be no limitation of the sums to be borrowed by any one person, but that every one may borrow as much as he can give double security for, by a mortgage of real clear estate.

"And to prevent an over quantity being extant at one time, let an interest of four per cent be allowed for all sums lodged in the office, during the time the owner suffers it to remain there. By this means it is supposed the due proportion of money, that shall be current, will find itself; and adapt itself from time to time, to the occasions of commerce."

Without in any way passing judgment upon this device for securing a perfectly elastic currency, it may still be interesting to note in conclusion that it satisfies the principal financial demands of the present Populist party. The most cursory scanning of their literature reveals two paramount demands :—First, that the national government shall establish postal or other savings banks, so that the savings of the people may be absolutely secure, the government to pay three per cent on deposits. Second, in order to pay this three per cent on deposits the government shall loan these deposits on good real estate security at four per cent.

It is manifest that it is only necessary to invert this order, that is, first loan the money at four per cent and then accept deposits of the same money, allowing three per cent upon such deposits to have Webbe's scheme for the automatic regulation of the amount of currency in circulation.

C. W. MACFARLANE.

*Philadelphia.*

#### HISTORY : A DEFINITION AND A FORECAST.

Is there such a thing as history? What is it? After we have taken out political science, sociology, ethnology, the comparative study of literature, arts and laws, does anything remain that we may call distinctively history? Is it perhaps the simple task of verifying documents and dates on which these other sciences rest? Even in this field distinct bodies of scholarship have grown up about paleography, diplomatics, epistigraphy and chronology. The School of Charters

\* See fourth edition of Governor Pownall's "The Administration of the Colonies," London, 1768.